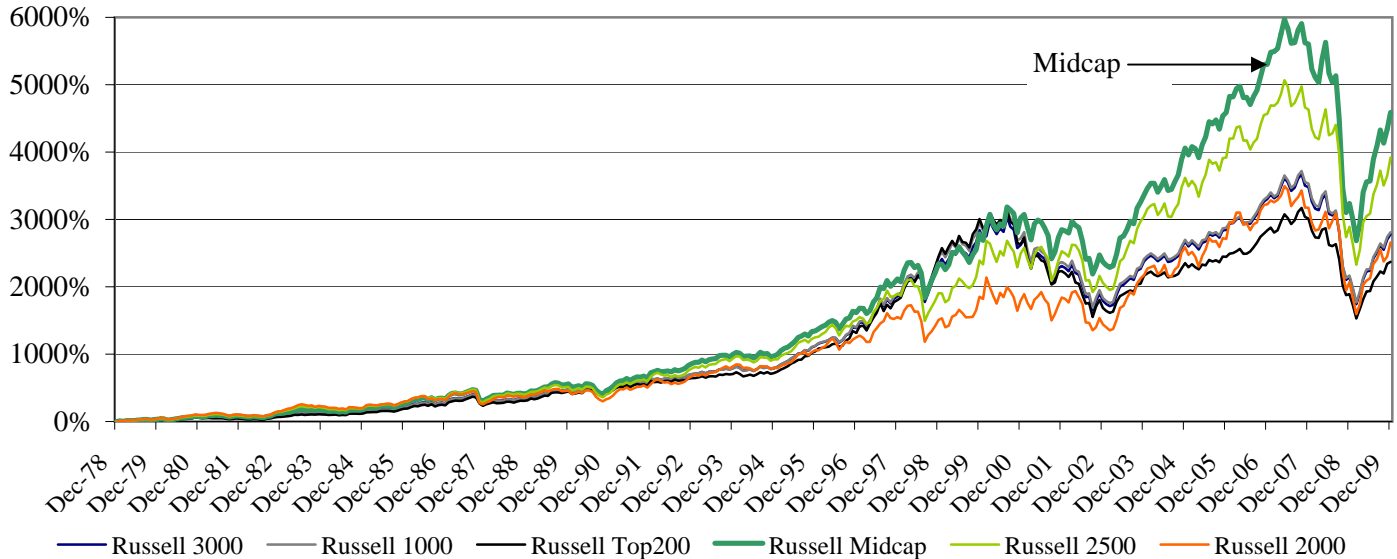




Medium-sized companies (midcap) are often overlooked in traditional US equity asset allocation structures. Many plans and consultants divide the universe of US stocks into “large cap” and “small cap” sub-categories, viewing midcap as a hybrid of these two extremes. **Research indicates that, given the strong absolute and risk-adjusted returns achieved in the midcap arena, investors should strongly consider a dedicated allocation to midcap stocks.**

**Russell Index Performance**



	Ann Return	Std Dev	Info. Ratio	Sharpe Ratio
Russell Midcap	13.2%	17.2%	0.77	0.45
Russell 2500	12.7%	18.5%	0.68	0.38
Russell 1000	11.5%	15.6%	0.74	0.38
Russell 3000	11.4%	15.8%	0.73	0.37
Russell 2000	11.3%	19.9%	0.57	0.29
Russell Top200	10.9%	15.4%	0.71	0.35

Correlations:	Russell 3000	Russell 1000	Russell Top200	Russell Midcap	Russell 2500	Russell 2000
<b>Russell 3000</b>	1					
<b>Russell 1000</b>	1.00	1				
<b>Russell Top200</b>	0.98	0.99	1			
<b>Russell Midcap</b>	0.97	0.95	0.90	1		
<b>Russell 2500</b>	0.92	0.90	0.84	0.97	1	
<b>Russell 2000</b>	0.88	0.85	0.79	0.94	0.99	1

**Comments:**

The Russell Midcap Index dominates all other broad Russell indices on both an absolute return and risk-adjusted return basis over the period of study (January, 1979 to December, 2009):

- **Strongest returns:** The Russell Midcap outperformed all other indices by 50-230 bps p.a.;
- **Highest Risk-adjusted returns:** The Russell Midcap has the highest Information Ratio and Sharpe Ratio;
- **Better than small cap or "smid"** based on absolute and risk-adjusted returns;
- Russell Midcap returns are 97% correlated to Russell 2500 (“smid”) with more return and less risk.
- **Stable, liquid universe:** The Russell Midcap index includes approximately 800 stocks, representing \$3.1 trillion in market capitalization. The index is rebalanced each June to include the 201st through 1000th largest companies (by market cap) in the Russell 1000.

*Shenandoah currently manages a midcap strategy that is benchmarked against the Russell Midcap index.*

*Expected returns are +2-3% p.a. over a market cycle with <4.0% tracking error.*